

BLANDING CITY
FINANCIAL STATEMENTS
JUNE 30, 2006

C O N T E N T S

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Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Blanding City
Blanding, Utah 84511

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Blanding City as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Blanding City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Blanding City as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2006, on our consideration of Blanding City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 16 and 49 through 51 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 16, 2006
Richfield, Utah

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is used to assist in formatting, for easier reading)

BLANDING CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2006

This discussion of Blanding City's financial performance provided an overview of the City's financial activities for the year ending June 30, 2006. This report is in conjunction with the City's financial statements.

The purpose of the City is to provide general services to its residents which includes general government, public safety, highways and public improvements, parks and recreation, and airport.

Financial Highlights

- * The assets of Blanding City exceeded its liabilities as of the close of the most recent year by \$25,942,977 (net assets). Of this amount, \$3,275,271 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- * The government's total net assets increased by \$686,425. The revenues were less than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts in the general fund.
- * At the close of the current year, the City's governmental fund reported ending fund balance of \$1,935,706, an increase of \$337,175 in comparison with the prior year. Approximately 40 percent of this total amount, \$760,706, is available for spending at the government's discretion (unreserved fund balance).
- * At the end of the current year, unreserved fund balance for the general fund was \$760,706 or 48 percent of total general fund expenditures.
- * Blanding City's total debt decreased by \$312,825 during the current year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Blanding City's basic financial statements. Blanding City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of Blanding City's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of Blanding City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Blanding City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

BLANDING CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For The Year Ended June 30, 2006

Both of the government-wide financial statements distinguish functions of Blanding City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of Blanding City include general government, public safety, highways and public improvements, parks and recreation, and airport. The business-type activities of Blanding City are water, sewer, electric, natural gas and solid waste operations and the EDA arts and conference center.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Blanding City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Blanding City can be divided into two categories: governmental funds and enterprise funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Blanding City maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is always considered to be a major fund.

Blanding City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

Refer to the table of contents for the location of the basic governmental fund financial statements.

BLANDING CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For The Year Ended June 30, 2006

Proprietary Funds

Blanding City maintains six types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. A combining statement for these funds is shown elsewhere in this report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, electric, and natural gas, which are all considered to be major funds of Blanding City, and two nonmajor funds, solid waste and the EDA arts and conference center.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Blanding City.

The combining statement referred to earlier in connection with the four major and one nonmajor enterprise funds is presented immediately following the required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Blanding City, assets exceeded liabilities by \$25,942,977 at the close of the most recent fiscal year. By far the largest portion of Blanding City's net assets (82 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

BLANDING CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For The Year Ended June 30, 2006

Blanding City's Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------|----------------------------|-------------------|-----------------------------|-------------------|-------------------|-------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Current and Other Assets | 1,108,255 | 2,001,715 | 3,101,812 | 2,633,362 | 4,210,067 | 4,635,077 |
| Capital Assets | 9,003,999 | 8,093,922 | 18,785,092 | 19,047,084 | 27,789,091 | 27,141,006 |
| Total Assets | 10,112,254 | 10,095,637 | 21,886,904 | 21,680,446 | 31,999,158 | 31,776,083 |
| Long-Term Liabilities | - | 77,238 | 5,200,062 | 5,521,822 | 5,200,062 | 5,599,060 |
| Other Liabilities | 424,787 | 475,489 | 431,332 | 522,220 | 856,119 | 997,709 |
| Total Liabilities | 424,787 | 552,727 | 5,631,394 | 6,044,042 | 6,056,181 | 6,596,769 |
| Net Assets: | | | | | | |
| Invested in Capital Assets | | | | | | |
| Net of Related Debt | 7,828,999 | 8,093,922 | 13,327,789 | 13,250,071 | 21,156,788 | 21,343,993 |
| Restricted | 1,175,000 | 1,150,000 | 335,918 | 332,868 | 1,510,918 | 1,482,868 |
| Unrestricted | 683,468 | 376,226 | 2,591,803 | 2,053,465 | 3,275,271 | 2,429,691 |
| Total Net Assets | 9,687,467 | 9,620,148 | 16,255,510 | 15,636,404 | 25,942,977 | 25,256,552 |

A portion of Blanding City's net assets (6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$3,275,271) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, Blanding City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

Governmental Activities

Governmental activities increased Blanding City's net assets by \$67,319.

BLANDING CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For The Year Ended June 30, 2006

Blanding City's Changes in Net Assets

| | Governmental Activities | | Business-Type Activities | | Totals | |
|--|----------------------------|------------------|-----------------------------|-------------------|-------------------|-------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | 437,937 | 460,892 | 3,926,535 | 3,570,285 | 4,364,472 | 4,031,177 |
| Operating Grants | 215,810 | 119,794 | - | - | 215,810 | 119,794 |
| Capital Grants | 421,297 | 1,331,751 | 311,808 | 787,066 | 733,105 | 2,118,817 |
| General Revenues: | | | | | | |
| Property Taxes | 192,691 | 227,067 | - | - | 192,691 | 227,067 |
| Other Taxes | 527,604 | 419,881 | - | - | 527,604 | 419,881 |
| Unrestricted Investment Earnings | 108,470 | 54,498 | 68,528 | 31,511 | 176,998 | 86,009 |
| Total Revenues | 1,903,809 | 2,613,883 | 4,306,871 | 4,388,862 | 6,210,680 | 7,002,745 |
| Expenses: | | | | | | |
| General Government | 334,231 | 288,002 | - | - | 334,231 | 288,002 |
| Public Safety | 584,591 | 664,339 | - | - | 584,591 | 664,339 |
| Highways and Public Improvements | 381,368 | 221,257 | - | - | 381,368 | 221,257 |
| Parks and Recreation | 394,683 | 200,347 | - | - | 394,683 | 200,347 |
| Airport | 141,617 | 123,906 | - | - | 141,617 | 123,906 |
| Water | - | - | 582,044 | 515,836 | 582,044 | 515,836 |
| Sewer | - | - | 230,467 | 252,019 | 230,467 | 252,019 |
| Electric | - | - | 1,605,307 | 1,672,742 | 1,605,307 | 1,672,742 |
| Natural Gas | - | - | 920,392 | 892,201 | 920,392 | 892,201 |
| Solid Waste | - | - | 134,825 | 126,830 | 134,825 | 126,830 |
| Interest | - | - | 214,730 | - | 214,730 | - |
| Total Expenses | 1,836,490 | 1,497,851 | 3,687,765 | 3,459,628 | 5,524,255 | 4,957,479 |
| Increase in Net Assets Before Transfers | 67,319 | 1,116,032 | 619,106 | 929,234 | 686,425 | 2,045,266 |
| Transfers | - | - | - | - | - | - |
| Increase in Net Assets | 67,319 | 1,116,032 | 619,106 | 929,234 | 686,425 | 2,045,266 |
| Net Assets - Beginning | 9,620,148 | 8,504,116 | 15,636,404 | 14,707,170 | 25,256,552 | 23,211,286 |
| Net Assets - Ending | 9,687,467 | 9,620,148 | 16,255,510 | 15,636,404 | 25,942,977 | 25,256,552 |

BLANDING CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For The Year Ended June 30, 2006

- * The City received capital grants from the State, Federal and local governments of \$733,105 to assist in the purchase of equipment and construction costs for projects for airports, parks, roads, and infrastructure.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-Type Activities

Business-type activities increased Blanding City's net assets by \$619,106 accounting for 90 percent of the total increase in the government's net assets. Key elements of this increase are as follows:

- * The total increase in the business-type activities can be attributed to capital grants of \$311,808.
- * UAMPS sale of air quality credits of \$98,129.

Financial Analysis of the Government's Funds

As noted earlier, Blanding City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of Blanding City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, Blanding City's governmental fund reported an ending fund balance of \$1,935,706, an increase of \$337,175 in comparison with the prior year. Approximately 39 percent of this amount, (\$760,706) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to highways and public improvements for \$1,175,000. The only governmental fund is the General Fund, which is the chief operating fund of Blanding City.

Proprietary Funds

Blanding City's proprietary funds provides the same type of information found in the government-wide financial statements but in more detail.

BLANDING CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For The Year Ended June 30, 2006

Proprietary Funds -Continued.

Unrestricted net assets of the water, sewer, electric, natural gas, solid waste and EDA at the end of the year were \$2,591,803. Other factors concerning the finances of these funds has already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

There were no differences between the original and final budget for the General Fund. Budgeted amounts of \$2,134,398 are as follows:

- * \$315,252 in general government.
- * \$584,007 in public safety.
- * \$710,709 in highways and public improvements.
- * \$388,260 in parks and recreation.
- * \$136,170 in airport.

No amounts were funded out of prior year unreserved fund balance. During the year, however, actual revenues were less than budgeted revenues by \$230,588 and actual expenditures were less than budgeted expenditures by \$567,763 resulting in a net increase in fund balance of \$337,175. The difference in projected revenues and expenses is largely due to the timing difference in projects being completed, including grant money being received and the actual expenditures for the projects.

Capital Asset and Debt Administration

Capital Assets

Blanding City's investment in capital assets for its governmental activities as of June 30, 2006, was \$7,828,999 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads, highways, sidewalks, curb and gutter.

The total increase in Blanding City's investment in capital assets for the current year was \$419,603. Major capital asset events during the current year included the following:

- * Airport Improvements-\$100,750
- * Laptops-\$20,883
- * Radar Guns-\$6,000
- * Ford Explorer-\$21,532
- * Utility Systems-\$270,438

BLANDING CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For The Year Ended June 30, 2006

Capital Assets (Continued)

Blanding City's Capital Assets
(net of depreciation)

| | Governmental Activities | | Business-Type Activities | | Totals | |
|--------------------------------------|----------------------------|-----------|-----------------------------|------------|------------|------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Land | 806,779 | 806,779 | 536,049 | 536,049 | 1,342,828 | 1,342,828 |
| Water Rights | - | - | 1,657,305 | 1,657,305 | 1,657,305 | 1,657,305 |
| Infrastructure | 2,552,868 | 2,665,274 | - | - | 2,552,868 | 2,665,274 |
| Buildings | 304,976 | 323,072 | 1,471,706 | 1,479,470 | 1,776,682 | 1,802,542 |
| Improvements Other than Buildings | 3,846,190 | 3,914,326 | 14,912,190 | 15,149,242 | 18,758,380 | 19,063,568 |
| Vehicles & Equipment | 318,186 | 384,471 | 207,842 | 225,018 | 526,028 | 609,489 |
| Total | 7,828,999 | 8,093,922 | 18,785,092 | 19,047,084 | 26,614,091 | 27,141,006 |

Additional information on Blanding City's capital assets can be found in the notes to the financial statements.

Long -Term Debt

At the end of the current year, Blanding City had total bonded debt outstanding of \$5,457,303. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds) and general obligation bonds.

Blanding City's Long-Term Debt

| | Governmental Activities | | Business-Type Activities | | Totals | |
|--------------------------|----------------------------|------|-----------------------------|-----------|-----------|-----------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Revenue Bonds | - | - | 4,493,303 | 4,623,271 | 4,493,303 | 4,623,271 |
| General Obligation Bonds | - | - | 964,000 | 1,044,000 | 964,000 | 1,044,000 |
| Total | - | - | 5,457,303 | 5,667,271 | 5,457,303 | 5,667,271 |

State statutes limit the amount of general obligation debt a governmental entity may issue to 8 percent of its total fair market value of taxable property in the City. The maximum general obligation debt allowed is approximately \$8,100,000. The present general obligation debt outstanding is \$964,000.

Additional information on Blanding City's long-term debt can be found in the notes of the financial statements.

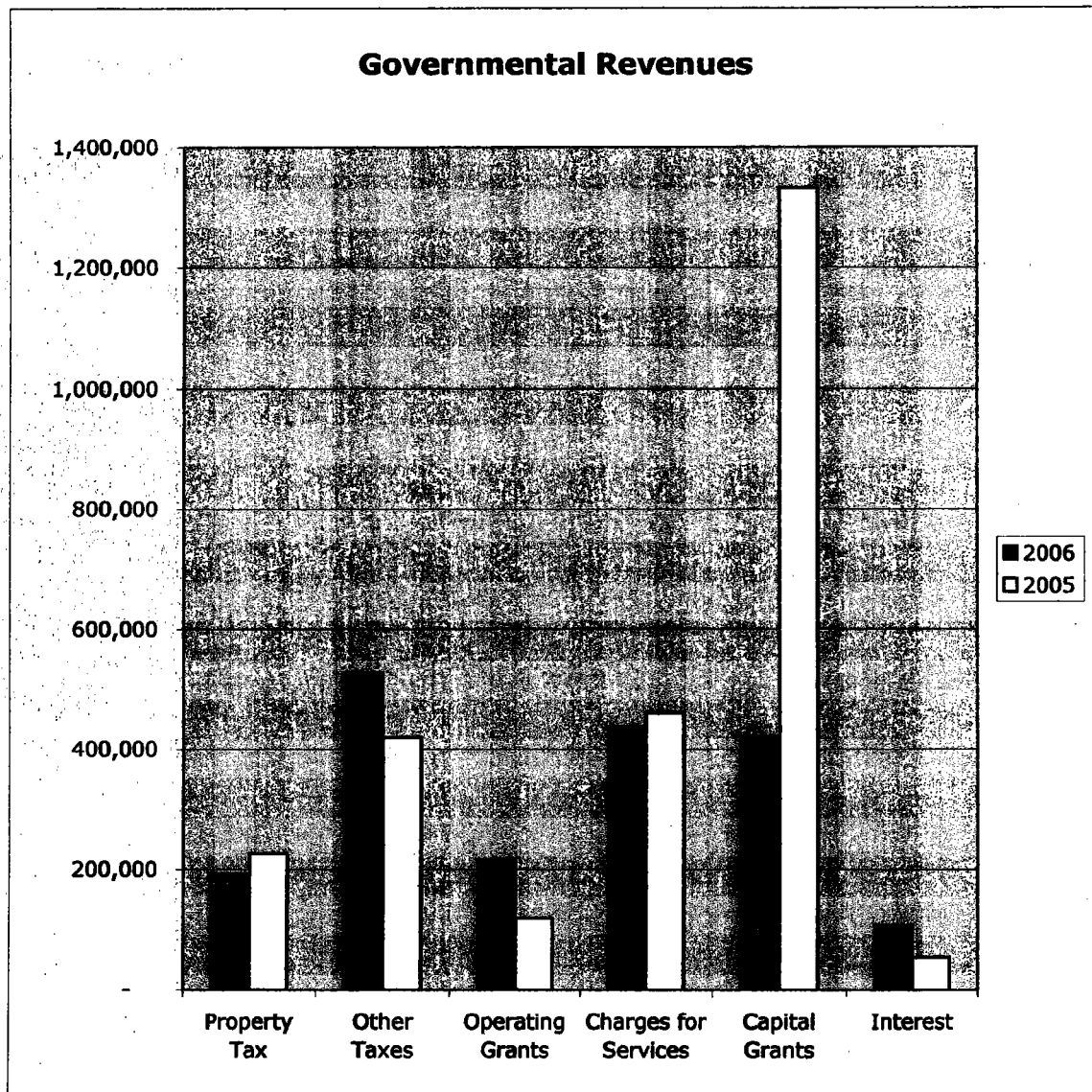
BLANDING CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For The Year Ended June 30, 2006

Request for Information

This financial report is designed to provide a general overview of Blanding City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Blanding City Manager, 50 West 100 South, Blanding, Utah, 84511.

**Blanding City
Governmental Revenues
For The Fiscal Years Ending June 30, 2006 and 2005**

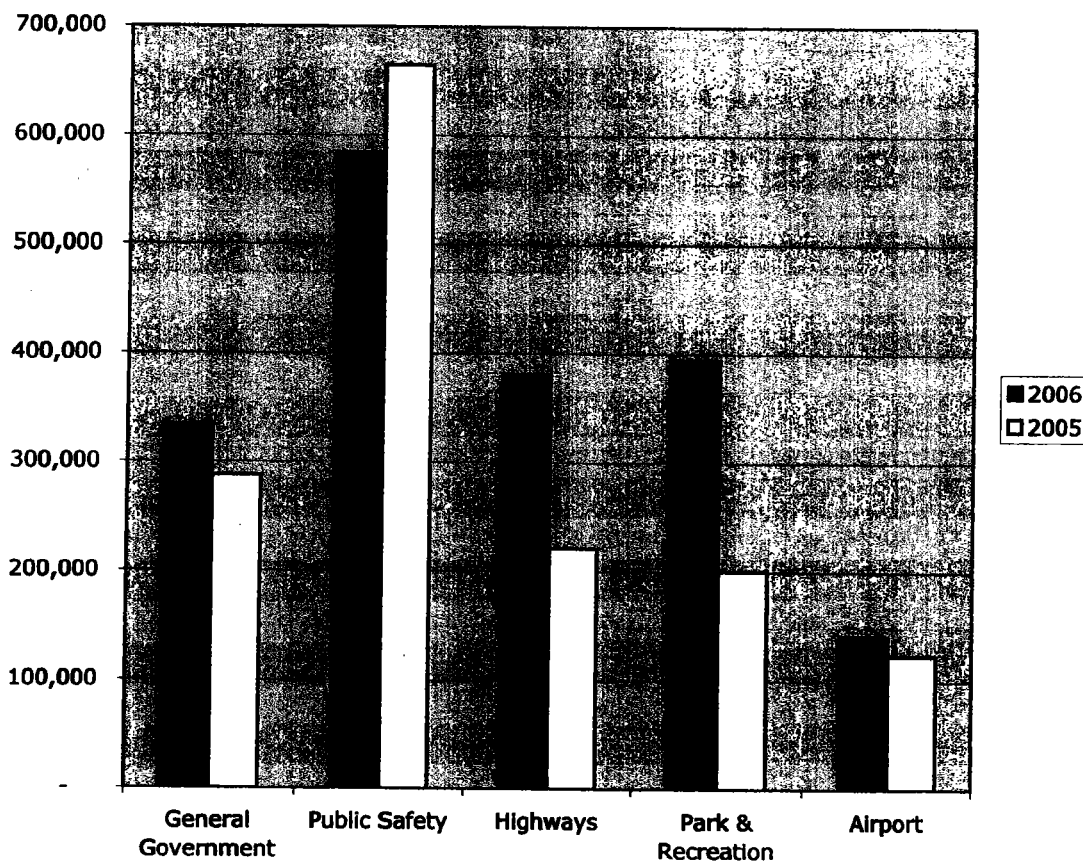
| | 2006 | 2005 |
|-----------------------|------------------|------------------|
| Property Tax | 192,691 | 227,067 |
| Other Taxes | 527,604 | 419,881 |
| Operating Grants | 215,810 | 119,794 |
| Charges for Services | 437,937 | 460,892 |
| Capital Grants | 421,297 | 1,331,751 |
| Interest | 108,470 | 54,498 |
| Total Revenues | 1,903,809 | 2,613,883 |



**Blanding City
Governmental Expenditures
For The Fiscal Years Ending June 30, 2006 and 2005**

| | 2006 | 2005 |
|---------------------------|------------------|------------------|
| General Government | 334,231 | 288,002 |
| Public Safety | 584,591 | 664,339 |
| Highways | 381,368 | 221,257 |
| Park & Recreation | 394,683 | 200,347 |
| Airport | 141,617 | 123,906 |
| Total Expenditures | 1,836,490 | 1,497,851 |

Governmental Expenditures

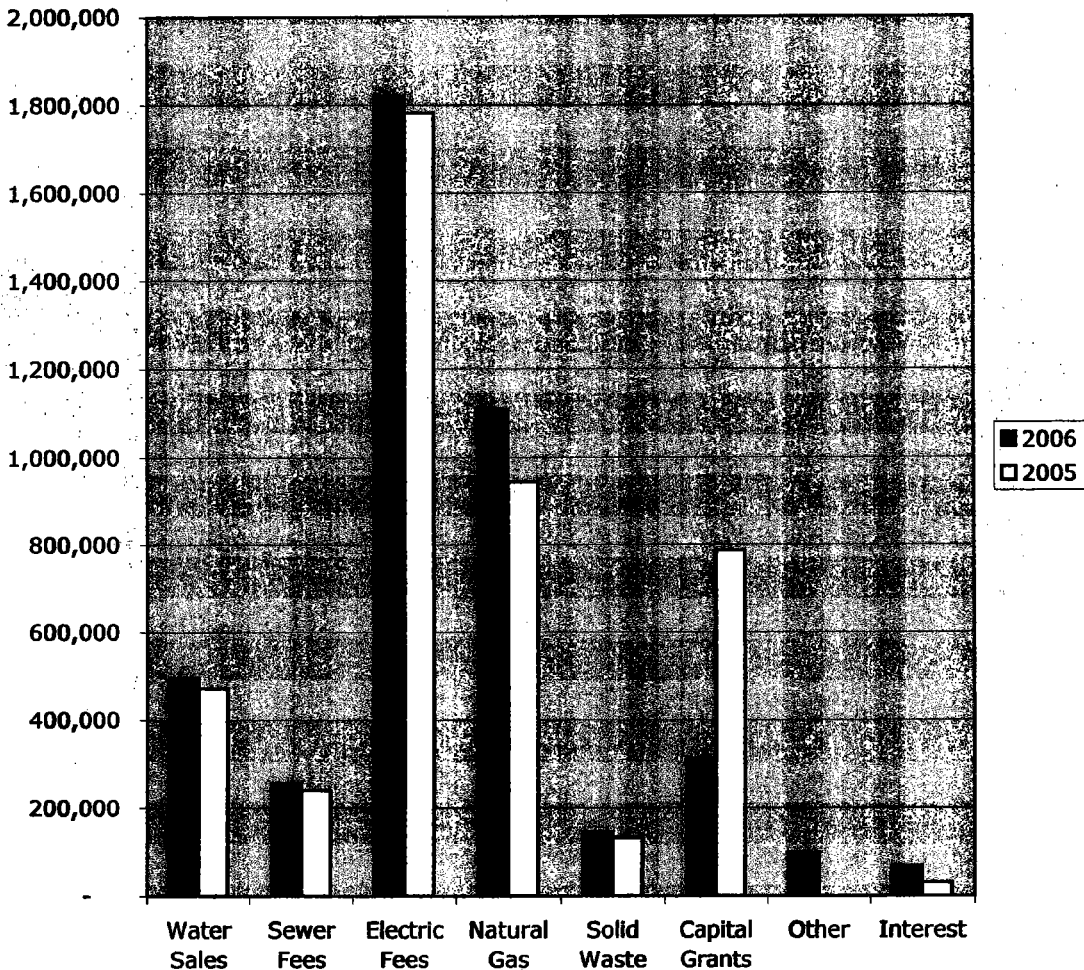


Blanding City
Business-Type Revenues
For The Fiscal Years Ending June 30, 2006 and 2005

| | 2006 | 2005 |
|----------------|-----------|-----------|
| Water Sales | 495,892 | 471,137 |
| Sewer Fees | 256,895 | 240,120 |
| Electric Fees | 1,821,763 | 1,782,029 |
| Natural Gas | 1,107,887 | 943,944 |
| Solid Waste | 145,969 | 133,055 |
| Capital Grants | 311,808 | 787,066 |
| Other | 98,129 | - |
| Interest | 68,528 | 31,511 |

| | | |
|----------------|------------------|------------------|
| Total Revenues | <u>4,306,871</u> | <u>4,388,862</u> |
|----------------|------------------|------------------|

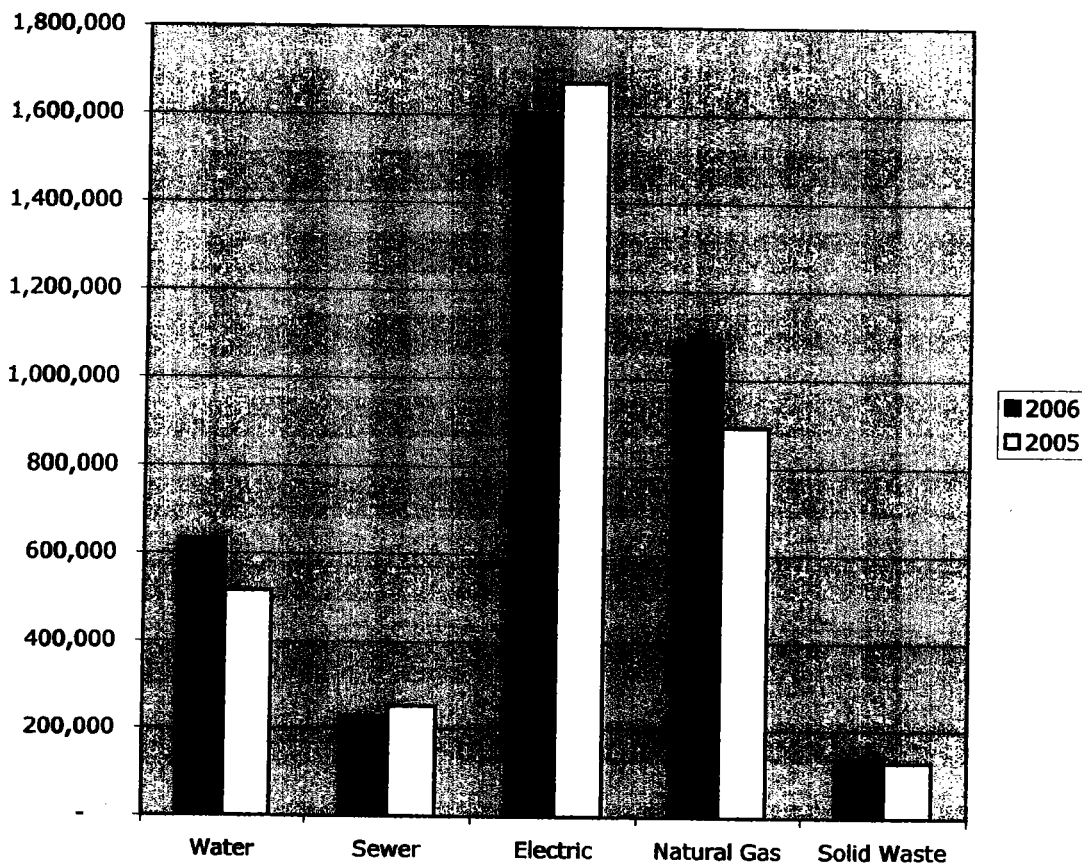
Business-Type Revenues



**Blanding City
Business Type Expenditures
For The Fiscal Years Ending June 30, 2006 and 2005**

| | 2006 | 2005 |
|---------------------------|-------------------------|-------------------------|
| Water | 633,580 | 515,836 |
| Sewer | 230,467 | 252,019 |
| Electric | 1,605,307 | 1,672,742 |
| Natural Gas | 1,083,586 | 892,201 |
| Solid Waste | 134,825 | 126,830 |
| Total Expenditures | <u>3,687,765</u> | <u>3,459,628</u> |

Business-Type Expenditures



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is used to assist in formatting, for easier reading)

BASIC FINANCIAL STATEMENTS

**BLANDING CITY
STATEMENT OF NET ASSETS**

June 30, 2006

| | Primary Government | | |
|---|----------------------------|-----------------------------|-------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | 1,001,037 | 2,445,595 | 3,446,632 |
| Accounts Receivable (Net) | 5,665 | 271,563 | 277,228 |
| Due From Other Government Units | 101,553 | - | 101,553 |
| Notes Receivable - Due Within One Year | - | 2,500 | 2,500 |
| Total Current Assets | 1,108,255 | 2,719,658 | 3,827,913 |
| Noncurrent Assets: | | | |
| Restricted Cash and Cash Equivalents | 1,175,000 | 335,918 | 1,510,918 |
| Notes Receivable - More Than One Year | - | 27,500 | 27,500 |
| Bond Issuance Costs (Net) | - | 18,736 | 18,736 |
| Capital Assets (Net of Accumulated Depreciation): | | | |
| Land | 806,779 | 536,049 | 1,342,828 |
| Water Rights | - | 1,657,305 | 1,657,305 |
| Buildings | 304,976 | 1,471,706 | 1,776,682 |
| Improvements Other Than Buildings | 3,846,190 | - | 3,846,190 |
| Utility Systems | - | 14,912,190 | 14,912,190 |
| Furniture and Fixtures | - | 5,463 | 5,463 |
| Equipment | 318,186 | 141,887 | 460,073 |
| Autos and Trucks | - | 60,492 | 60,492 |
| Infrastructure | 2,552,868 | - | 2,552,868 |
| Total Noncurrent Assets | 9,003,999 | 19,167,246 | 28,171,245 |
| TOTAL ASSETS | 10,112,254 | 21,886,904 | 31,999,158 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts Payable | 327,288 | - | 327,288 |
| Accrued Liabilities | 20,261 | - | 20,261 |
| Deposits Payable | - | 78,588 | 78,588 |
| Bond Interest Payable | - | 28,351 | 28,351 |
| Loans Payable - Due Within One Year | - | 5,143 | 5,143 |
| General Obligation Bonds - Due Within One Year | - | 83,000 | 83,000 |
| Revenue Bonds Payable - Due Within One Year | - | 236,250 | 236,250 |
| Total Current Liabilities | 347,549 | 431,332 | 778,881 |
| Noncurrent Liabilities: | | | |
| Loans Payable - More Than One Year | - | 92,571 | 92,571 |
| General Obligation Bonds - More Than One Year | - | 881,000 | 881,000 |
| Revenue Bonds Payable - More Than One Year | - | 4,159,339 | 4,159,339 |
| Compensated Absences | 77,238 | 67,152 | 144,390 |
| Total Noncurrent Liabilities | 77,238 | 5,200,062 | 5,277,300 |
| TOTAL LIABILITIES | 424,787 | 5,631,394 | 6,056,181 |
| NET ASSETS | | | |
| Investment in Capital Assets, Net of Debt | 7,828,999 | 13,327,789 | 21,156,788 |
| Restricted For: | | | |
| Bond Retirement | - | 335,918 | 335,918 |
| Road Trust Account | 1,175,000 | - | 1,175,000 |
| Unrestricted | 683,468 | 2,591,803 | 3,275,271 |
| TOTAL NET ASSETS | 9,687,467 | 16,255,510 | 25,942,977 |
| TOTAL LIABILITIES AND NET ASSETS | 10,112,254 | 21,886,904 | 31,999,158 |

The notes to the financial statements are an integral part of this statement.

BLANDING CITY
STATEMENT OF ACTIVITIES
For The Fiscal Year Ended June 30, 2006

| Function/Programs | Net (Expense) Revenues and Changes in Net Assets | | | | |
|--------------------------------------|--|----------------------|--|----------------------------------|------------|
| | Primary Government | | | | Total |
| | Expenses | Charges for Services | Program Revenues Operating Grants/ Contributions | Capital Grants/ Contributions | |
| Governmental Activities: | | | | | |
| General Government | 334,231 | 330,375 | 89,356 | - | 85,500 |
| Public Safety | 584,591 | - | 3,904 | - | (580,687) |
| Highways and Public Improvements | 381,368 | - | 122,550 | 128,340 | (130,478) |
| Park and Recreation | 394,683 | 74,005 | - | 205,768 | (114,910) |
| Airport | 141,617 | 33,557 | - | 87,189 | (20,871) |
| Interest Expense | - | - | - | - | (214,730) |
| Total Governmental Activities | 1,836,490 | 437,937 | 215,810 | 421,297 | (761,446) |
| Business-Type Activities: | | | | | |
| Water | 582,044 | 489,892 | - | 90,000 | (2,152) |
| Sewer | 230,467 | 253,895 | - | 169,003 | 192,431 |
| Electric | 1,605,307 | 1,821,763 | - | 52,805 | 269,261 |
| Natural Gas | 920,392 | 1,107,887 | - | - | 187,495 |
| Solid Waste | 134,825 | 145,969 | - | - | 11,144 |
| Total Business-Type Activities | 3,473,035 | 3,819,406 | - | 311,808 | 658,179 |
| Total Primary Government | 5,309,525 | 4,257,343 | 215,810 | 733,105 | (317,997) |
| General Revenues: | | | | | |
| Property Taxes | | | | | 192,691 |
| Fee-In-Lieu of Property Taxes | | | | | 38,707 |
| Sales Taxes | | | | | 452,499 |
| Room Tax | | | | | 19,010 |
| Franchise Taxes | | | | | 17,388 |
| Sale of Air Quality Credits | | | | | 98,129 |
| Impact Fees | | | | | 9,000 |
| Unrestricted Investment Earnings | | | | | 68,528 |
| Total General Revenues and Transfers | | | | | 1,004,422 |
| Change in Net Assets | | | | | 686,425 |
| Net Assets - Beginning | | | | | 25,256,552 |
| Net Assets - Ending | | | | | 25,942,977 |

The notes to the financial statements are an integral part of this statement.

**BLANDING CITY
BALANCE SHEET
GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2006

| | <u>General Fund</u> |
|---|-------------------------|
| ASSETS | |
| Cash and Cash Equivalents | 2,176,037 |
| Accounts Receivable (Net) | 5,665 |
| Due From Other Government Units | <u>101,553</u> |
| TOTAL ASSETS | <u><u>2,283,255</u></u> |
| LIABILITIES AND FUND BALANCES | |
| Liabilities: | |
| Accounts Payable | 327,288 |
| Accrued Liabilities | <u>20,261</u> |
| Total Liabilities | <u><u>347,549</u></u> |
| Fund Balances: | |
| Reserved For: | |
| Road Trust Fund | 1,175,000 |
| Unreserved, Reported In: | |
| General Fund | <u>760,706</u> |
| Total Fund Balance | <u><u>1,935,706</u></u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u><u>2,283,255</u></u> |

The notes to the financial statements are an integral part of this statement.

BLANDING CITY
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS

June 30, 2006

| | |
|---|-----------|
| Total Fund Balances - Governmental Fund Types | 1,935,706 |
|---|-----------|

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

| | | |
|----------------|------------------|-----------|
| Land | 806,779 | |
| Buildings | 304,976 | |
| Improvements | 3,846,190 | |
| Equipment | 318,186 | |
| Infrastructure | <u>2,552,868</u> | |
| Total | | 7,828,999 |

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

| | |
|----------------------|-----------------|
| Compensated Absences | <u>(77,238)</u> |
|----------------------|-----------------|

| | |
|-------------------------------------|-------------------------|
| Net Assets of Government Activities | <u><u>9,687,467</u></u> |
|-------------------------------------|-------------------------|

BLANDING CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2006

| | <u>General Fund</u> |
|----------------------------------|-------------------------|
| Revenues: | |
| Taxes | 720,295 |
| Licenses and Permits | 26,778 |
| Intergovernmental Revenue | 562,317 |
| Charges for Services | 171,557 |
| Fines and Forfeitures | 63,705 |
| Interest | 108,470 |
| Miscellaneous Revenues | <u>250,688</u> |
| Total Revenues | <u>1,903,810</u> |
| Expenditures: | |
| Current: | |
| General Government | 313,322 |
| Public Safety | 509,287 |
| Highways and Public Improvements | 261,761 |
| Parks and Recreation | 348,750 |
| Airport | 5,883 |
| Capital Outlay | <u>127,632</u> |
| Total Expenditures | <u>1,566,635</u> |
| Net Change In Fund Balance | 337,175 |
| Fund Balance - Beginning | <u>1,598,531</u> |
| Fund Balance - Ending | <u><u>1,935,706</u></u> |

The notes to the financial statements are an integral part of this statement.

BLANDING CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities
are different because:

| | |
|---|---------|
| Net Changes in Fund Balances - Total Governmental Funds | 337,175 |
|---|---------|

Governmental funds report capital outlays as expenditures. However, in
the statement of activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the
amount by which capital outlays exceeded depreciation in the current period:

| | | |
|----------------------|------------------|-----------|
| Capital Outlays | 127,632 | |
| Depreciation Expense | <u>(392,555)</u> | |
| Total | | (264,923) |

Some expenses reported in the statement of activities do not require the
use of current financial resources and, therefore, are not reported as
expenditures in governmental funds:

| | |
|----------------------|----------------|
| Compensated Absences | <u>(4,933)</u> |
|----------------------|----------------|

| | |
|--|----------------------|
| Changes In Net Assets of Governmental Activities | <u><u>67,319</u></u> |
|--|----------------------|

**BLANDING CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

June 30, 2006

| | Water Fund | Sewer Fund | Electric Fund | Natural Gas Fund | Nonmajor Funds | Total |
|--|-------------------|------------------|------------------|---------------------|-------------------|-------------------|
| ASSETS: | | | | | | |
| Current Assets: | | | | | | |
| Cash and Cash Equivalents | 766,007 | 435,717 | 1,136,055 | - | 107,816 | 2,445,595 |
| Accounts Receivable | 65,751 | 20,262 | 136,344 | 37,747 | 11,459 | 271,563 |
| Note Receivable | 2,500 | - | - | - | - | 2,500 |
| Due from Other Funds | - | - | 843,589 | - | - | 843,589 |
| Total Current Assets | 834,258 | 455,979 | 2,115,988 | 37,747 | 119,275 | 3,563,247 |
| Noncurrent Assets: | | | | | | |
| Cash and Cash Equivalents - Restricted: | | | | | | |
| Bond Reserves | 98,880 | - | - | 237,038 | - | 335,918 |
| Bond Issuance Cost (Net of Amort.) | - | - | - | 18,736 | - | 18,736 |
| Notes Receivable | 27,500 | - | - | - | - | 27,500 |
| Capital Assets: (Net of Accum. Depr.) | | | | | | |
| Land | 251,694 | 79,722 | 204,633 | - | - | 536,049 |
| Water Rights | 1,657,305 | - | - | - | - | 1,657,305 |
| Buildings | 34,649 | 45,950 | 59,292 | - | 1,331,815 | 1,471,706 |
| Improvements Other Than Buildings | 8,357,567 | 1,828,738 | 501,686 | 4,224,199 | - | 14,912,190 |
| Furniture and Fixtures | 63 | 30 | 5,370 | - | - | 5,463 |
| Machinery and Equipment | 9,812 | 126,847 | 3,758 | 1,470 | - | 141,887 |
| Automobiles and Trucks | 2,860 | - | 57,632 | - | - | 60,492 |
| Total Noncurrent Assets | 10,440,330 | 2,081,287 | 832,371 | 4,481,443 | 1,331,815 | 19,167,246 |
| TOTAL ASSETS | 11,274,588 | 2,537,266 | 2,948,359 | 4,519,190 | 1,451,090 | 22,730,493 |
| LIABILITIES: | | | | | | |
| Current Liabilities: | | | | | | |
| Deposits Payable | - | - | 78,588 | - | - | 78,588 |
| Due To Other Funds | - | - | - | 843,589 | - | 843,589 |
| Accrued Interest Payable | 12,154 | - | - | 16,197 | - | 28,351 |
| Note Payable - Due Within One Year | 5,143 | - | - | - | - | 5,143 |
| Bonds Payable - Due Within One Year | 103,163 | - | - | 216,087 | - | 319,250 |
| Total Current Liabilities | 120,460 | - | 78,588 | 1,075,873 | - | 1,274,921 |
| Noncurrent Liabilities: | | | | | | |
| Note Payable - More Than One Year | 92,571 | - | - | - | - | 92,571 |
| Bonds Payable - More Than One Year | 1,724,565 | - | - | 3,315,774 | - | 5,040,339 |
| Compensated Absences | 25,514 | 18,565 | 12,256 | 10,817 | - | 67,152 |
| Total Noncurrent Liabilities | 1,842,650 | 18,565 | 12,256 | 3,326,591 | - | 5,200,062 |
| TOTAL LIABILITIES | 1,963,110 | 18,565 | 90,844 | 4,402,464 | - | 6,474,983 |
| NET ASSETS: | | | | | | |
| Capital Assets, Net of Related Debt | 8,388,508 | 2,081,287 | 832,371 | 693,808 | 1,331,815 | 13,327,789 |
| Restricted for Bond Reserves | 98,880 | - | - | 237,038 | - | 335,918 |
| Unrestricted | 824,090 | 437,414 | 2,025,144 | (814,120) | 119,275 | 2,591,803 |
| TOTAL NET ASSETS | 9,311,478 | 2,518,701 | 2,857,515 | 116,726 | 1,451,090 | 16,255,510 |
| TOTAL LIABILITIES AND NET ASSETS | 11,274,588 | 2,537,266 | 2,948,359 | 4,519,190 | 1,451,090 | 22,730,493 |

The notes to the financial statements are an integral part of this statement.

BLANDING CITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND TYPES

June 30, 2006

| | Water Fund | Sewer Fund | Electric Fund | Natural Gas Fund | Nonmajor Funds | Total |
|---|------------------|------------------|------------------|---------------------|-------------------|-------------------|
| Operating Revenues: | | | | | | |
| Charges for Sales and Services: | | | | | | |
| Water | 483,954 | - | - | - | - | 483,954 |
| Sewer | - | 245,506 | - | - | - | 245,506 |
| Electric | - | - | 1,787,929 | - | - | 1,787,929 |
| Natural Gas | - | - | - | 1,095,712 | - | 1,095,712 |
| Sanitation | - | - | - | - | 145,969 | 145,969 |
| Connection Fees | 5,888 | 3,475 | 22,344 | 12,105 | - | 43,812 |
| Other | 50 | 4,914 | 11,490 | 70 | - | 16,524 |
| Total Operating Revenues | 489,892 | 253,895 | 1,821,763 | 1,107,887 | 145,969 | 3,819,406 |
| Operating Expenses: | | | | | | |
| Salaries | 108,006 | 98,010 | 112,779 | 56,786 | 4,832 | 380,413 |
| Fringe Benefits | 46,703 | 48,194 | 45,586 | 27,334 | 497 | 168,314 |
| Power and Gas Purchases | - | - | 992,050 | 662,899 | - | 1,654,949 |
| Materials and Supplies | 41,987 | 3,891 | 191,382 | 16,160 | 113 | 253,533 |
| Administrative Fees | 21,540 | 6,900 | 79,500 | 24,600 | 5,460 | 138,000 |
| Utilities | 12,801 | 1,611 | 4,635 | 552 | 57 | 19,656 |
| Insurance | 3,992 | 3,500 | 29,894 | 7,965 | - | 45,351 |
| Water Assessments | 21,524 | - | - | - | - | 21,524 |
| Professional and Technical | 26,489 | 8,525 | 34,669 | 4,978 | 121,950 | 196,611 |
| Other | 3,656 | 1,002 | 24,757 | 9,980 | 1,326 | 40,721 |
| Depreciation | 295,346 | 58,834 | 90,055 | 109,138 | 590 | 553,963 |
| Total Operating Expenses | 582,044 | 230,467 | 1,605,307 | 920,392 | 134,825 | 3,473,035 |
| Operating Income | (92,152) | 23,428 | 216,456 | 187,495 | 11,144 | 346,371 |
| Nonoperating Revenues (Expenses): | | | | | | |
| Interest Expense | (51,536) | - | - | (163,194) | - | (214,730) |
| Impact Fees | 6,000 | 3,000 | - | - | - | 9,000 |
| Sale of Air Quality Credits | - | - | 98,129 | - | - | 98,129 |
| Interest Earned | 27,685 | 7,678 | 17,847 | 15,318 | - | 68,528 |
| Federal Grants | 90,000 | 169,003 | 52,805 | - | - | 311,808 |
| Total Nonoperating Revenues (Expenses) | 72,149 | 179,681 | 168,781 | (147,876) | - | 272,735 |
| Change in Net Assets | (20,003) | 203,109 | 385,237 | 39,619 | 11,144 | 619,106 |
| Total Net Assets - Beginning | 9,331,481 | 2,315,592 | 2,472,278 | 77,107 | 1,439,946 | 15,636,404 |
| Total Net Assets - Ending | 9,311,478 | 2,518,701 | 2,857,515 | 116,726 | 1,451,090 | 16,255,510 |

The notes to the financial statements are an integral part of this statement.

**BLANDING CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

June 30, 2006

| | Water Fund | Sewer Fund | Electric Fund | Natural Gas Fund | Nonmajor Funds | Total |
|--|-----------------|----------------|------------------|---------------------|-------------------|------------------|
| Cash Flows From Operating Activities: | | | | | | |
| Receipts From Customers | 481,079 | 250,974 | 1,821,019 | 1,119,492 | 145,464 | 3,818,028 |
| Payments to Suppliers | (282,188) | (70,747) | (1,400,298) | (755,846) | (129,403) | (2,638,482) |
| Payments to Employees | (108,006) | (98,010) | (112,779) | (56,786) | (4,832) | (380,413) |
| Net Cash Provided by Operating Activities | 90,885 | 82,217 | 307,942 | 306,860 | 11,229 | 799,133 |
| Cash Flows from Noncapital Financing Activities: | | | | | | |
| Due to (From) Other Funds | - | - | (46,325) | 46,325 | - | - |
| Decrease in Other Assets | - | - | - | 1,356 | - | 1,356 |
| Net Cash Provided (Used) by Noncapital Financing Activities | - | - | (46,325) | 47,681 | - | 1,356 |
| Cash Flows From Capital and Related Financing Activities: | | | | | | |
| Capital Grants | 90,000 | 169,003 | 52,805 | - | - | 311,808 |
| Impact Fees | 6,000 | 3,000 | - | - | - | 9,000 |
| UAMPS - Sale of Air Quality Credits | - | - | 98,129 | - | - | 98,129 |
| Payment on Note Receivable | 2,500 | - | - | - | - | 2,500 |
| Fixed Asset Additions | (40,260) | (172,514) | (79,195) | - | - | (291,969) |
| Interest Payment on Long-Term Debt | (51,536) | - | - | (163,194) | - | (214,730) |
| Principal Payment on Long-Term Debt | (106,158) | - | - | (206,667) | - | (312,825) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (99,454) | (511) | 71,739 | (369,861) | - | (398,087) |
| Cash Flows from Investing Activities: | | | | | | |
| Interest Earned on Investments | 27,683 | 7,679 | 17,846 | 15,320 | - | 68,528 |
| Increase (Decrease) Cash and Cash Equivalents | 19,114 | 89,385 | 351,202 | - | 11,229 | 470,930 |
| Cash and Cash Equivalents - Beginning | 845,773 | 346,332 | 784,853 | 237,038 | 96,587 | 2,310,583 |
| Cash and Cash Equivalents - Ending | 864,887 | 435,717 | 1,136,055 | 237,038 | 107,816 | 2,781,513 |
| Reconciliation of Operating Income to Net Cash Provided By Operating Activities: | | | | | | |
| Operating Income | (92,152) | 23,428 | 216,456 | 187,495 | 11,144 | 346,371 |
| Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities: | | | | | | |
| Depreciation | 295,346 | 58,834 | 90,055 | 109,138 | 590 | 553,963 |
| Increase (Decrease) in Operating Assets: | | | | | | |
| Accounts Receivable | (8,813) | (2,921) | (744) | 11,605 | (505) | (1,378) |
| Accrued Liabilities | (101,991) | - | 2,978 | (3,444) | - | (102,457) |
| Compensated Absences | (1,505) | 2,876 | (803) | 2,066 | - | 2,634 |
| Total Adjustments | 183,037 | 58,789 | 91,486 | 119,365 | 85 | 452,762 |
| Net Cash Provided (Used) by Operating Activities | 90,885 | 82,217 | 307,942 | 306,860 | 11,229 | 799,133 |

The notes to the financial statements are an integral part of this statement.

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Blanding City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2006.

The following is a summary of the more significant policies:

A. Reporting Entity

Blanding City is a municipal corporation in San Juan County, Utah. It is governed by an elected mayor and five member council. As required by generally accepted accounting principles, these financial statements are of the primary government, Blanding City, the reporting entity. The City has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Blanding City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The utility funds accounts for the activities of the City water, sewer, electric, natural gas and solid waste operations. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility funds are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

| | |
|-------------------------|---------------|
| Water System | 40 - 75 Years |
| Buildings | 40 - 57 Years |
| Machinery and Equipment | 10 - 15 Years |
| Furniture and Fixtures | 10 - 20 Years |
| Vehicles | 5 - 10 Years |

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Property Taxes:

Property taxes are assessed and collected for the City by San Juan County and remitted to the City shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Budgets and Budgetary Accounting:

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and City council on or before June 22 for the following Fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the City's budgetary control (the level at which the Town's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Any unreserved General Fund balance greater than 18% of the next year's budgeted revenues must be appropriated within the following two years.

Once adopted, the budget may be amended by the City council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

NOTE 2 - DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

Deposits:

At year end, the carrying amount of the City's deposits was \$218,287 and the bank balances were \$243,156. Of the bank balance, \$100,000 was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council. Cash on hand amounted to \$1,250.

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and investments as of June 30, 2006, consist of the following:

| | <u>Fair Value</u> |
|----------------------------|-------------------------|
| Cash On Hand | 1,250 |
| Demand Deposits | 218,287 |
| Investments - PTIF | <u>4,738,013</u> |
| Total Cash and Investments | <u><u>4,957,550</u></u> |

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

| | |
|---|-------------------------|
| Governmental Activities - Unrestricted | 1,001,037 |
| Governmental Activities - Restricted | 1,175,000 |
| Business-Type Activities - Unrestricted | 2,445,595 |
| Business-Type Activities - Restricted | <u>335,918</u> |
| Total Cash and Cash Equivalents | <u><u>4,957,550</u></u> |

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that City funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations.

PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

Custodial Credit Risk:

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$143,156 of the local government's bank balances of \$243,156 were uninsured and uncollateralized.

Credit Risk:

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2006, the local governments has investments of \$4,738,013 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investments mainly in the PTIF and by adhering to the Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk:

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2006, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| Governmental Activities: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | 806,779 | - | - | 806,779 |
| Total Capital Assets Not Being Depreciated | <u>806,779</u> | <u>-</u> | <u>-</u> | <u>806,779</u> |
| Capital Assets Being Depreciated: | | | | |
| Buildings | 560,144 | - | - | 560,144 |
| Improvements | 5,468,177 | 100,750 | - | 5,568,927 |
| Equipment | 927,555 | 26,883 | - | 954,438 |
| Infrastructure | 3,632,893 | - | - | 3,632,893 |
| Total Capital Assets Being Depreciated | <u>10,588,769</u> | <u>127,633</u> | <u>-</u> | <u>10,716,402</u> |
| Less Accumulated Depreciation For: | | | | |
| Buildings | 237,072 | 18,095 | - | 255,167 |
| Improvements | 1,553,851 | 175,817 | - | 1,729,668 |
| Equipment | 543,084 | 93,167 | - | 636,251 |
| Infrastructure | 967,619 | 105,476 | - | 1,073,095 |
| Total Accumulated Depreciation | <u>3,301,626</u> | <u>392,555</u> | <u>-</u> | <u>3,694,181</u> |
| Total Capital Assets Being Depreciated (Net) | <u>7,287,143</u> | <u>(264,922)</u> | <u>-</u> | <u>7,022,221</u> |
| Governmental Activities Capital Assets, Net | <u>8,093,922</u> | <u>(264,922)</u> | <u>-</u> | <u>7,829,000</u> |

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 3 - CAPITAL ASSETS (CONTINUED)

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|------------------------------|-----------------------------|---------------------|------------------------------|
| Business Type Activities: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | 536,049 | - | - | 536,049 |
| Water Stock | <u>1,657,305</u> | <u>-</u> | <u>-</u> | <u>1,657,305</u> |
| Total Capital Assets Not Being Depreciated | <u>2,193,354</u> | <u>-</u> | <u>-</u> | <u>2,193,354</u> |
| Capital Assets Being Depreciated: | | | | |
| Buildings | 1,777,115 | - | - | 1,777,115 |
| Utility Systems | 21,573,850 | 270,438 | - | 21,844,288 |
| Equipment | <u>929,251</u> | <u>21,532</u> | <u>-</u> | <u>950,783</u> |
| Total Capital Assets Being Depreciated | <u>24,280,216</u> | <u>291,970</u> | <u>-</u> | <u>24,572,186</u> |
| Less Accumulated Depreciation For: | | | | |
| Buildings | 322,435 | 7,173 | - | 329,608 |
| Utility Systems | 6,399,817 | 491,723 | - | 6,891,540 |
| Equipment | <u>704,233</u> | <u>55,067</u> | <u>-</u> | <u>759,300</u> |
| Total Accumulated Depreciation | <u>7,426,485</u> | <u>553,963</u> | <u>-</u> | <u>7,980,448</u> |
| Total Capital Assets Being Depreciated (Net) | <u>16,853,731</u> | <u>(261,993)</u> | <u>-</u> | <u>16,591,738</u> |
| Business Type Activities Capital Assets, Net | <u>19,047,085</u> | <u>(261,993)</u> | <u>-</u> | <u>18,785,092</u> |
| Total Assets - Government Wide | <u><u>27,141,007</u></u> | <u><u>(526,915)</u></u> | <u><u>-</u></u> | <u><u>26,614,092</u></u> |

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Primary Government as follows:

| | Governmental Activities | Business Type Activities | Total |
|----------------------------------|----------------------------|-----------------------------|----------------|
| General Government | 15,977 | - | 15,977 |
| Public Safety | 75,304 | - | 75,304 |
| Public Health | - | 553,963 | 553,963 |
| Highways and Public Improvements | 119,607 | - | 119,607 |
| Parks and Recreation | 45,933 | - | 45,933 |
| Airport | 135,734 | - | 135,734 |
| Total Depreciation Expense | <u>392,555</u> | <u>553,963</u> | <u>946,518</u> |

NOTE 4 - NATURAL GAS SYSTEM

The number of properties connected to the natural gas system at June 30, 2006, was 755. The number of unconnected homes within the City limits was 217 and the number of applications for natural gas service on hand was 0.

Because of the volatility of the natural gas markets and country wide energy crisis, the Blanding City Council passed a resolution approving rate adjustments to match the changing markets to maintain a mark-up of \$5.00 per decatherm over City costs. The rate at the end of the year was \$1.18 per therm.

NOTE 5 - LONG TERM DEBT

Utility Systems:

Water System:

Water Revenue Bonds constitute special obligations of the City, solely secured by a lien on and pledge of the net revenues of the water system. The revenue bonds are collateralized by the revenue of the water system and various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinances also contain certain provisions which require the City to maintain pledged revenues, as defined in the ordinances, for each year of at least 1.25 times the average annual debt service requirements. For fiscal year 2005 the "pledged revenues" were 1.48 times the average annual debt service. Therefore, the City was in compliance with this covenant. The ordinances also contain provisions which, along with other items, restrict the issuance of additional revenue bonds unless the sinking reserve funds contain the required amounts and the pledged revenues are equal or greater than 1.25 times the average annual debt service requirements after giving effect to the issuance of the proposed additional bonds.

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 5 - LONG TERM DEBT (CONTINUED)

1983 San Juan Water Conservancy District Agreement:

During December of 1983, the City entered into an agreement with the San Juan Water Conservancy District for the perpetual right to 500 acre feet of District water per water year from the Recapture Dam Project. The terms of the agreement require payment of \$20,000 per year from the City with no interest. The balance at year end was \$380,000.

The following is a summary of debt service charges to maturity:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|------------------|-----------------|----------------|
| 2006-2007 | 20,000 | - | 20,000 |
| 2007-2008 | 20,000 | - | 20,000 |
| 2008-2009 | 20,000 | - | 20,000 |
| 2009-2010 | 20,000 | - | 20,000 |
| 2010-2011 | 20,000 | - | 20,000 |
| 2012-2016 | 100,000 | - | 100,000 |
| 2017-2021 | 100,000 | - | 100,000 |
| 2022-2026 | 80,000 | - | 80,000 |
| Total | <u>380,000</u> | <u>-</u> | <u>380,000</u> |

1997 Contract with San Juan Water Conservancy District:

During fiscal year 1997, the City entered into a long-term contract in the amount of \$144,000, in connection with the purchase of 300 acre feet of water from the San Juan County Conservancy District. The contract is non-interest bearing and is payable in 28 annual installments of \$5,143. The contract matures in 2025. The balance at year end was \$97,714.

The following is a summary of debt service charges to maturity:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|------------------|-----------------|---------------|
| 2006-2007 | 5,143 | - | 5,143 |
| 2007-2008 | 5,143 | - | 5,143 |
| 2008-2009 | 5,143 | - | 5,143 |
| 2009-2010 | 5,143 | - | 5,143 |
| 2010-2011 | 5,143 | - | 5,143 |
| 2012-2016 | 25,715 | - | 25,715 |
| 2017-2021 | 25,715 | - | 25,715 |
| 2022-2026 | 20,569 | - | 20,569 |
| Total | <u>97,714</u> | <u>-</u> | <u>97,714</u> |

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 5 - LONG TERM DEBT (CONTINUED)

1985 Community Impact Board Bonds:

During June of 1985, the City issued Water Revenue Bonds in the amount of \$500,000 for the purpose of the construction of an earth fill dam and water transmission line. The bonds require yearly payments of \$30,696 with interest at 4.5%. The balance at year end was \$223,865.

The following is a summary of debt service charges to maturity:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|------------------|-----------------|----------------|
| 2006-2007 | 20,655 | 10,041 | 30,696 |
| 2007-2008 | 21,585 | 9,111 | 30,696 |
| 2008-2009 | 22,556 | 8,140 | 30,696 |
| 2009-2010 | 23,571 | 7,125 | 30,696 |
| 2010-2011 | 24,632 | 6,064 | 30,696 |
| 2012-2016 | 110,866 | 12,661 | 123,527 |
| Total | <u>223,865</u> | <u>53,142</u> | <u>277,007</u> |

1990 Community Impact Board Bonds:

During December of 1990, the City issued Water Revenue Bonds in the amount of \$628,000 for the purpose of paying part of the cost of acquiring and constructing improvements, additions and extensions to the City's water system. The bonds require annual payments from \$37,530 to \$38,600 with interest of 3.5%. The balance at year end was \$317,000.

The following is a summary of debt service charges to maturity:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|------------------|-----------------|----------------|
| 2006-2007 | 27,000 | 11,060 | 38,060 |
| 2007-2008 | 28,000 | 10,115 | 38,115 |
| 2008-2009 | 29,000 | 9,135 | 38,135 |
| 2009-2010 | 30,000 | 8,120 | 38,120 |
| 2010-2011 | 31,000 | 7,070 | 38,070 |
| 2012-2016 | 172,000 | 18,552 | 190,552 |
| Total | <u>317,000</u> | <u>64,052</u> | <u>381,052</u> |

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 5 - LONG TERM DEBT (CONTINUED)

1995 Community Impact Board Bonds:

During January of 1995, the City issued Irrigation Water Revenue Bonds in the amount of \$50,000 for the purpose of construction improvements to the City's irrigation system. The bonds require annual payments of \$2,500 with no interest. The balance at year end was \$27,500.

The following is a summary of debt service charges to maturity:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|----------------------|-----------------|----------------------|
| 2006-2007 | 2,500 | - | 2,500 |
| 2007-2008 | 2,500 | - | 2,500 |
| 2008-2009 | 2,500 | - | 2,500 |
| 2009-2010 | 2,500 | - | 2,500 |
| 2010-2011 | 2,500 | - | 2,500 |
| 2012-2016 | 12,500 | - | 12,500 |
| 2017-2021 | <u>2,500</u> | <u>-</u> | <u>2,500</u> |
| Total | <u><u>27,500</u></u> | <u><u>-</u></u> | <u><u>27,500</u></u> |

1990 Department of Health Bonds:

During December of 1990, the City issued Water Revenue Bonds in the amount of \$400,000 for the purpose of paying part of the cost of acquiring and constructing improvements, additions, and extensions to the City's water system. The bonds require annual payments from \$37,520 to \$38,600 with interest of 3.5%. The balance at year end was \$201,000.

The following is a summary of debt service charges to maturity:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|-----------------------|----------------------|-----------------------|
| 2006-2007 | 17,000 | 7,035 | 24,035 |
| 2007-2008 | 18,000 | 6,440 | 24,440 |
| 2008-2009 | 18,000 | 5,810 | 23,810 |
| 2009-2010 | 19,000 | 5,180 | 24,180 |
| 2010-2011 | 20,000 | 4,420 | 24,420 |
| 2012-2016 | <u>109,000</u> | <u>13,280</u> | <u>122,280</u> |
| Total | <u><u>201,000</u></u> | <u><u>42,165</u></u> | <u><u>243,165</u></u> |

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 5 - LONG TERM DEBT (CONTINUED)

1999 Drinking Water Board Bonds:

During July of 1999, the City issued Water Revenue Bonds in the amount of \$200,000 for the purpose of construction of a two (2) million gallon water tank and distribution lines. The bonds require yearly payments of \$10,000 for twenty (20) years with interest at the rate of .33%. The balance at year end was \$140,000.

The following is a summary of debt service charges to maturity:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|------------------|-----------------|----------------|
| 2006-2007 | 10,000 | 462 | 10,462 |
| 2007-2008 | 10,000 | 429 | 10,429 |
| 2008-2009 | 10,000 | 396 | 10,396 |
| 2009-2010 | 10,000 | 363 | 10,363 |
| 2010-2011 | 10,000 | 330 | 10,330 |
| 2012-2016 | 50,000 | 1,155 | 51,155 |
| 2017-2021 | 40,000 | 330 | 40,330 |
| Total | <u>140,000</u> | <u>3,465</u> | <u>143,465</u> |

2002 Rural Development Bonds:

During 2002, the City issued Water Revenue Bonds in the amount of \$555,000 for the purpose of the reconstruction of the Blanding Fourth Raw Water Storage Reservoir. The bonds require annual payments of \$30,240 with interest at 4.5%. The balance at year end was \$538,363.

The following is a summary of debt service charges for the Rural Development loan:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|------------------|-----------------|------------------|
| 2006-2007 | 6,008 | 24,232 | 30,240 |
| 2007-2008 | 6,279 | 23,961 | 30,240 |
| 2008-2009 | 6,561 | 23,679 | 30,240 |
| 2009-2010 | 6,856 | 23,384 | 30,240 |
| 2010-2011 | 7,165 | 23,075 | 30,240 |
| 2012-2016 | 40,961 | 110,239 | 151,200 |
| 2017-2021 | 51,045 | 100,155 | 151,200 |
| 2022-2026 | 63,612 | 87,588 | 151,200 |
| 2027/2031 | 79,272 | 71,928 | 151,200 |
| 2032/2036 | 98,786 | 52,414 | 151,200 |
| 2037/2041 | 123,106 | 28,094 | 151,200 |
| 2042/2046 | 48,712 | 2,197 | 50,909 |
| | <u>538,363</u> | <u>570,946</u> | <u>1,109,309</u> |

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 5 - LONG TERM DEBT (CONTINUED)

The following is a summary of total debt service charges for the water system:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|------------------|-----------------|------------------|
| 2006-2007 | 108,306 | 52,829 | 161,135 |
| 2007-2008 | 110,507 | 50,056 | 160,563 |
| 2008-2009 | 113,760 | 47,160 | 160,920 |
| 2009-2010 | 116,070 | 44,172 | 160,242 |
| 2010-2011 | 119,440 | 40,959 | 160,399 |
| 2012-2016 | 618,042 | 322,856 | 940,898 |
| 2017-2021 | 225,260 | 100,484 | 325,744 |
| 2022-2026 | 164,181 | 87,588 | 251,769 |
| 2027/2031 | 79,272 | 71,928 | 151,200 |
| 2032/2036 | 98,786 | 52,414 | 151,200 |
| 2037/2041 | 123,106 | 28,094 | 151,200 |
| 2042/2046 | 48,712 | 2,197 | 50,909 |
| | <u>1,925,442</u> | <u>900,737</u> | <u>2,826,179</u> |

Natural Gas System:

Natural Gas Revenue Bonds, Series 1994 and 1995:

During the year ending June 30, 1995, the City issued a \$3,390,000 revenue bond to cover costs incurred on the construction of a natural gas system. The bond, dated March 15, 1995, and maturing March 15, 2020, carries an annual interest rate of 5% and requires three hundred (300) monthly installments of \$19,382. The balance at year end was \$2,359,459.

The following is a summary of debt service charges for the Series 1994 Revenue Bonds:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|------------------|-----------------|------------------|
| 2006-2007 | 122,800 | 115,184 | 237,984 |
| 2007-2008 | 129,082 | 108,902 | 237,984 |
| 2008-2009 | 135,686 | 102,297 | 237,983 |
| 2009-2010 | 142,628 | 95,356 | 237,984 |
| 2010-2011 | 149,926 | 88,058 | 237,984 |
| 2012-2016 | 872,840 | 317,080 | 1,189,920 |
| 2017-2021 | 806,497 | 79,032 | 885,529 |
| Total | <u>2,359,459</u> | <u>905,909</u> | <u>3,265,368</u> |

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 5 - LONG TERM DEBT (CONTINUED)

During the year ending June 30, 1996, the City issued a \$295,000 revenue bond to cover costs incurred on the construction of a natural gas system. The bond, dated November 8, 1995, and maturing November 27, 2020, carries an annual interest rate of 4.5% and requires three hundred (300) monthly installments of \$1,641. The balance at year end was \$208,402.

The following is a summary of debt service charges for the Series 1995 Revenue Bonds:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|------------------|-----------------|----------------|
| 2006-2007 | 10,287 | 9,405 | 19,692 |
| 2007-2008 | 10,750 | 8,942 | 19,692 |
| 2008-2009 | 11,234 | 8,458 | 19,692 |
| 2009-2010 | 11,740 | 7,952 | 19,692 |
| 2010-2011 | 12,268 | 7,424 | 19,692 |
| 2012-2016 | 70,135 | 28,325 | 98,460 |
| 2017-2021 | 81,988 | 10,420 | 92,408 |
| Total | <u>208,402</u> | <u>80,926</u> | <u>289,328</u> |

Zions Bank General Obligation Refunding Bonds:

During the current year Blanding City did an advance refunding of Kemper Bonds in the Natural Gas Fund with Zions Bank at no additional cost to the City. The amount refunded was \$1,120,000. The bonds require yearly payments with interest at 2.25%-3.9%. The total amount owed on the old debt service bonds was \$1,150,000. The City paid the remaining \$30,000 on July 15, 2003. The difference in debt service charges to maturity between the old and new bonds amounted to \$147,974. The actual economic gain based on present values amounted to \$127,627.

The following is a summary of debt service charges to maturity for the Refunding Bonds:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|------------------|-----------------|------------------|
| 2006-2007 | 83,000 | 33,284 | 116,284 |
| 2007-2008 | 86,000 | 30,706 | 116,706 |
| 2008-2009 | 90,000 | 27,888 | 117,888 |
| 2009-2010 | 88,000 | 24,907 | 112,907 |
| 2010-2011 | 86,000 | 21,863 | 107,863 |
| 2012-2016 | 531,000 | 35,994 | 566,994 |
| Total | <u>964,000</u> | <u>174,642</u> | <u>1,138,642</u> |

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 5 - LONG TERM DEBT (CONTINUED)

The following is a summary of total debt service charges to maturity for Natural Gas:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|-------------------------|-----------------------|-------------------------|
| 2006-2007 | 216,087 | 124,588 | 340,675 |
| 2007-2008 | 225,832 | 117,844 | 343,676 |
| 2008-2009 | 236,920 | 110,755 | 347,675 |
| 2009-2010 | 242,368 | 103,308 | 345,676 |
| 2010-2011 | 248,194 | 95,482 | 343,676 |
| 2012-2016 | 1,473,975 | 345,405 | 1,819,380 |
| 2017-2021 | <u>888,485</u> | <u>89,452</u> | <u>977,937</u> |
| | <u><u>3,531,861</u></u> | <u><u>986,834</u></u> | <u><u>4,518,695</u></u> |

The following is a summary of total debt service charges to maturity:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|-------------------------|-------------------------|-------------------------|
| 2006-2007 | 324,393 | 177,417 | 501,810 |
| 2007-2008 | 336,339 | 167,900 | 504,239 |
| 2008-2009 | 350,680 | 157,915 | 508,595 |
| 2009-2010 | 358,438 | 147,480 | 505,918 |
| 2010-2011 | 367,634 | 136,441 | 504,075 |
| 2012-2016 | 2,092,017 | 668,261 | 2,760,278 |
| 2017-2021 | 1,113,745 | 189,936 | 1,303,681 |
| 2022-2026 | 164,181 | 87,588 | 251,769 |
| 2027/2031 | 79,272 | 71,928 | 151,200 |
| 2032/2036 | 98,786 | 52,414 | 151,200 |
| 2037/2041 | 123,106 | 28,094 | 151,200 |
| 2042/2046 | <u>48,712</u> | <u>2,197</u> | <u>50,909</u> |
| | <u><u>5,457,303</u></u> | <u><u>1,887,571</u></u> | <u><u>7,344,874</u></u> |

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The following is a schedule of changes in utility bonds payable at June 30, 2006:

| Bond Issue: | Date of Issue | Interest Rate | Total Authorized | Outstanding June 30, 2005 | Current Year Changes | | Outstanding June 30, 2006 |
|-----------------------------|---------------|---------------|------------------|---------------------------|----------------------|---------|---------------------------|
| | | | | | Issued | Matured | |
| Water: | | | | | | | |
| SJWCD Bond | 1983 | 0.0% | 800,000 | 400,000 | - | 20,000 | 380,000 |
| SJWCD Contract | 1997 | 0.0% | 144,000 | 102,857 | - | 5,143 | 97,714 |
| CIB Bond | 1985 | 4.5% | 500,000 | 243,630 | - | 19,765 | 223,865 |
| CIB Bond | 1990 | 3.5% | 628,000 | 343,000 | - | 26,000 | 317,000 |
| CIB Bond | 1995 | 0.0% | 50,000 | 30,000 | - | 2,500 | 27,500 |
| DWB Bond | 1999 | 3.5% | 200,000 | 218,000 | - | 17,000 | 201,000 |
| DOH Bond | 1990 | 3.5% | 400,000 | 150,000 | - | 10,000 | 140,000 |
| Rural Development | 2002 | 4.5% | 555,000 | 544,113 | - | 5,750 | 538,363 |
| Total Water System | | | 3,277,000 | 2,031,600 | - | 106,158 | 1,925,442 |
| Natural Gas: | | | | | | | |
| FmHA Bond | 1994 | 5.0% | 3,390,000 | 2,476,282 | - | 116,823 | 2,359,459 |
| FmHA Bond | 1995 | 4.5% | 295,000 | 218,246 | - | 9,844 | 208,402 |
| Zions Refunding G. O. Bonds | 2003 | 2.25% - 3.9% | 1,120,000 | 1,044,000 | - | 80,000 | 964,000 |
| Total Natural Gas System | | | 4,805,000 | 3,738,528 | - | 206,667 | 3,531,861 |
| Total Bond Issues | | | 8,082,000 | 5,770,128 | - | 312,825 | 5,457,303 |

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 6 - COMPENSATED ABSENCES

Compensated absences of Blanding City in the proprietary fund and the general long-term debt account group represent accrued vacation at year end in the amount of \$144,390.

The following is a schedule of changes in compensated absences:

| | <u>Balance June 30, 2005</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance June 30, 2006</u> |
|----------------------|----------------------------------|---------------------|------------------|----------------------------------|
| Governmental | 72,305 | 4,933 | - | 77,238 |
| Proprietary Fund | <u>64,518</u> | <u>2,634</u> | <u>-</u> | <u>67,152</u> |
| Compensated Absences | <u><u>136,823</u></u> | <u><u>7,567</u></u> | <u><u>-</u></u> | <u><u>144,390</u></u> |

NOTE 7 - CLASS C ROADS

The following schedule outlines the transactions in the Class C Road account for the fiscal year ended June 30, 2006:

| | |
|-----------------------------|-----------------|
| Balance - Beginning of Year | - |
| Receipts: | |
| Class C Road Allotment | 98,844 |
| Disbursements: | |
| Class C Road Expenditures | <u>(98,844)</u> |
| Balance - End of Year | <u><u>-</u></u> |

NOTE 8 - IMPACT FEE ORDINANCE

On June 27, 2001, the Blanding City Council passed ordinance #2001-5 enacting impact fees for municipal water and sewer connections as required by the Utah Impact Fees Act.

Water impact fees for residential and commercial uses will be calculated based upon meter size and an equivalent residential unit (ERU) basis.

The following applies to residential and commercial water impact fees:

| <u>Meter Size Inches</u> | <u>ERU Capacity</u> | <u>Impact Fee</u> |
|------------------------------|-------------------------|-----------------------|
| 3/4 | 1 | 600 |
| 1 | 3.7 | 1,300 |
| 1 1/2 | 11 | 3,500 |
| 2 | 22.9 | 5,500 |

**BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2006

NOTE 8 - IMPACT FEE ORDINANCE (CONTINUED)

Impact fees for meter sizes different than those specified will be calculated by the City Engineer based on ERU Capacity.

Sewer impact fees will be calculated per ERU. Residential and commercial sewer impact fees will be calculated at \$250 per ERU.

The City is required to place these impact fees into a separate interest bearing account and may expend these funds only on capital improvements, retiring debt for the system or other expenditures as allowed by law. There was \$6,000 collected during the current fiscal year for water and \$3,000 collected for sewer. These funds were all expended for appropriate purposes during the year.

These funds must be expended within six years from receipt or the funds must be returned with interest to the payer.

NOTE 9 - STATE RETIREMENT PLANS

Local Governmental - Cost Sharing:

Plan Description:

Blanding City contributes to the Local Governmental Noncontributory Retirement System, the Public Safety Other Division A Contributory Retirement System and the Public Safety Other Division A Noncontributory Retirement System for employers with Social Security coverage all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Act in Chapter 49 provides for the administration of the Utah Retirement Systems and plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that included financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 9 - STATE RETIREMENT PLANS (CONTINUED)

Funding Policy:

Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the system to which they belong; 12.29% to the Public Safety Other Division A Contributory Retirement System. Blanding City is required to contribute a percent of covered salary to the respective systems; 11.09% to the Noncontributory, 7.95% to the Public Safety Other Division A Contributory Systems and 19.34% to the Public Safety Other Division A Noncontributory Systems. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Blanding City contributions to the various systems for the years ending June 30, 2006, 2005 and 2004 respectively were; for the Noncontributory System, \$52,485.99, \$53,140.11 and \$46,281.98, for the Public Safety Other Division A Contributory System, \$15,451.05, \$18,632.65 and \$16,985.10 and for the Public Safety Other Division A Noncontributory System, \$11,691.96, \$9,610.44 and \$7,790.28 respectively. The contributions were equal to the required contributions for each year.

NOTE 10 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Utah Local Governments Trust. The insurance coverages are written on a group purchase arrangement. All of the insurance coverage is brokered and written through various insurance companies. Utah Local Government Trust acts as broker.

The City's insurance policies in force at June 30, 2006, are as follows:

| Type of Policy | Amount of Coverage | Policy No. | Total Name of Company | Expiration Date |
|-----------------------------|--------------------|---------------|-----------------------|-----------------|
| General Liability | 2,000,000 | TGL-269 | Government Trust | 06/30/07 |
| Automobile Liability | 2,000,000 | TGL-269 | Government Trust | 06/30/07 |
| Uninsured Motorist | 65,000 | TGL-269 | Government Trust | 06/30/07 |
| Underinsured Motorist | 50,000 | TGL-269 | Government Trust | 06/30/07 |
| Airport | 1,000,000 | GHK0026669-90 | Government Trust | 11/02/06 |
| Property | Replacement | GP06300613 | Government Trust | 06/30/07 |
| Position Schedule Bonds: | | | | |
| Mayor | 140,000 | 58414629 | Western Surety | 11/19/06 |
| Recorder | 140,000 | 58414629 | Western Surety | 11/19/06 |
| City Administrator/Recorder | 258,000 | 58447576 | Western Surety | 05/13/07 |
| Treasurer | 258,000 | 58447576 | Western Surety | 05/13/07 |
| Clerk | 29,000 | 58447576 | Western Surety | 05/13/07 |
| Notary | 5,000 | N52995777 | Western Surety | 02/15/08 |
| Notary | 5,000 | | Farmers Insurance | 06/15/07 |
| Workers Compensation | Varies | TWC-269 | Government Trust | Open |

The City has not experienced any significant reduction in insurance coverage from the previous year nor has it paid any settlements in excess of insurance coverage in the past three fiscal years.

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is used to assist in formatting, for easier reading)

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**BLANDING CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u> | <u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u> |
|--------------------------------------|-------------------------|------------------|--|---|
| | <u>Original</u> | <u>Final</u> | | |
| Budgetary Fund Balance, July 1, 2005 | <u>1,598,531</u> | <u>1,598,531</u> | <u>1,598,531</u> | <u>-</u> |
| Resources (Inflows): | | | | |
| Taxes: | | | | |
| General Property Taxes | 195,000 | 195,000 | 192,691 | (2,309) |
| General Sales and Use Taxes | 381,000 | 381,000 | 452,499 | 71,499 |
| Fee-In-Lieu | 37,000 | 37,000 | 38,707 | 1,707 |
| Room Tax | 24,000 | 24,000 | 19,010 | (4,990) |
| Franchise Taxes | 16,000 | 16,000 | 17,388 | 1,388 |
| Total Taxes | <u>653,000</u> | <u>653,000</u> | <u>720,295</u> | <u>67,295</u> |
| Licenses and Permits | <u>17,388</u> | <u>17,388</u> | <u>26,778</u> | <u>9,390</u> |
| Intergovernmental Revenue: | | | | |
| Class C Road | 140,000 | 140,000 | 122,550 | (17,450) |
| State Liquor Allotment | 3,800 | 3,800 | 3,904 | 104 |
| Federal Grants | 90,455 | 90,455 | 72,968 | (17,487) |
| State Grants | 152,000 | 152,000 | 152,154 | 154 |
| Contributions from County | 541,500 | 541,500 | 180,741 | (360,759) |
| Other | - | - | 30,000 | 30,000 |
| Total Intergovernmental Revenue | <u>927,755</u> | <u>927,755</u> | <u>562,317</u> | <u>(365,438)</u> |
| Charges for Services: | | | | |
| Airport | 25,000 | 25,000 | 33,557 | 8,557 |
| Administrative Fees | 138,000 | 138,000 | 138,000 | - |
| Total Charges for Services | <u>163,000</u> | <u>163,000</u> | <u>171,557</u> | <u>8,557</u> |
| Fines and Forfeitures | <u>92,400</u> | <u>92,400</u> | <u>63,705</u> | <u>(28,695)</u> |
| Miscellaneous: | | | | |
| Interest | 55,200 | 55,200 | 108,470 | 53,270 |
| Recreation Revenue | - | 54,150 | 74,005 | 19,855 |
| Miscellaneous | 118,650 | 64,500 | 176,683 | 112,183 |
| Use of Fund Balance | 107,005 | 107,005 | - | (107,005) |
| Total Miscellaneous Revenue | <u>280,855</u> | <u>280,855</u> | <u>359,158</u> | <u>78,303</u> |
| Amounts Available for Appropriation | <u>3,732,929</u> | <u>3,732,929</u> | <u>3,502,341</u> | <u>(230,588)</u> |

Continued

**BLANDING CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) (See Note A) | Variance With Final Budget Positive (Negative) |
|--|------------------|-----------|---|---|
| | Original | Final | | |
| Charges to Appropriations (Outflows): | | | | |
| General Government: | | | | |
| Legislative | 19,885 | 19,885 | 18,608 | 1,277 |
| Judicial | 34,530 | 34,530 | 32,822 | 1,708 |
| Administration | 115,347 | 120,347 | 119,421 | 926 |
| Attorney | 17,350 | 17,350 | 16,313 | 1,037 |
| City Engineer | - | 24,183 | 23,268 | 915 |
| Planning and Zoning | 70,407 | 46,224 | 45,330 | 894 |
| Visitors Center | 57,733 | 57,733 | 57,560 | 173 |
| Total General Government | 315,252 | 320,252 | 313,322 | 6,930 |
| Public Safety: | | | | |
| Police | 487,583 | 487,583 | 475,557 | 12,026 |
| Fire | 96,424 | 81,424 | 60,612 | 20,812 |
| Total Public Safety | 584,007 | 569,007 | 536,169 | 32,838 |
| Highway and Streets: | | | | |
| Construction and Maintenance | 115,409 | 125,409 | 124,678 | 731 |
| Class C Roads | 595,300 | 595,300 | 137,083 | 458,217 |
| Total Highways and Street | 710,709 | 720,709 | 261,761 | 458,948 |
| Culture and Recreation: | | | | |
| Parks | 388,260 | 388,260 | 348,750 | 39,510 |
| Miscellaneous: | | | | |
| Airport | 136,170 | 136,170 | 106,633 | 29,537 |
| Total Charges to Appropriations | 2,134,398 | 2,134,398 | 1,566,635 | 567,763 |
| Budgetary Fund Balance - June 30, 2006 | 1,598,531 | 1,598,531 | 1,935,706 | 337,175 |

BLANDING CITY
NOTE A
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION

For The Fiscal Year Ended June 30, 2006

| | <u>General Fund</u> |
|---|-------------------------|
| Sources/Inflows and Resources: | |
| Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules. | 3,502,341 |
| Differences - Budget to GAAP: | |
| The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes. | <u>(1,598,531)</u> |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. | <u><u>1,903,810</u></u> |
| Uses/Outflows of Resources: | |
| Actual amounts (budgetary Basis "total charges to appropriations" from the budgetary comparison schedules. | 1,566,635 |
| Differences - Budget to GAAP: | |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting pruposes. | <u>-</u> |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds | <u><u>1,566,635</u></u> |

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

**BLANDING CITY
NONMAJOR PROPRIETARY FUNDS**

For The Fiscal Year Ended June 30, 2006

PROPRIETARY FUNDS

Proprietary Funds are used to account for revenues and expenses resulting from providing services and producing and delivering goods in connection with the funds principal ongoing operations.

Solid Waste Fund:

This fund is used to account for revenues and expenditures relating to solid waste management in the City

EDA Arts Fund:

This fund accounts for the City's participation in the EDA Arts building on the college campus.

**BLANDING CITY
COMBINING BALANCE SHEET
NONMAJOR PROPRIETARY FUNDS**

June 30, 2006

| | Solid Waste Fund | EDA Arts Fund | Total Nonmajor Funds |
|---|-----------------------|-------------------------|----------------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents: | | | |
| Unrestricted | 107,816 | - | 107,816 |
| Accounts Receivable - Net | <u>11,459</u> | <u>-</u> | <u>11,459</u> |
| Total Current Assets | <u>119,275</u> | <u>-</u> | <u>119,275</u> |
| Noncurrent Assets: | | | |
| Improvements Other Than Buildings | <u>24,200</u> | <u>1,307,615</u> | <u>1,331,815</u> |
| TOTAL ASSETS | <u><u>143,475</u></u> | <u><u>1,307,615</u></u> | <u><u>1,451,090</u></u> |
| LIABILITIES AND NET ASSETS | | | |
| Liabilities | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Assets: | | | |
| Invested In Capital Assets, Net of Related Debt | 24,200 | 1,307,615 | 1,331,815 |
| Unrestricted | <u>119,275</u> | <u>-</u> | <u>119,275</u> |
| Total Net Assets | <u>143,475</u> | <u>1,307,615</u> | <u>1,451,090</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>143,475</u></u> | <u><u>1,307,615</u></u> | <u><u>1,451,090</u></u> |

BLANDING CITY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
NONMAJOR PROPRIETARY FUNDS

For The Year Ended June 30, 2006

| | <u>Solid Waste Fund</u> | <u>EDA Arts Fund</u> | <u>Total Nonmajor Funds</u> |
|--------------------------------|-----------------------------|--------------------------|-------------------------------------|
| Operating Revenues: | | | |
| Charges for Services: | | | |
| Sanitation | 145,969 | - | 145,969 |
| Total Operating Revenues | 145,969 | - | 145,969 |
| Operating Expenses: | | | |
| Salaries | 4,832 | | 4,832 |
| Fringe Benefits | 497 | - | 497 |
| Materials and Supplies | 113 | - | 113 |
| Administrative Fees | 5,460 | - | 5,460 |
| Utilities | 57 | - | 57 |
| Professional and Technical | 121,950 | | 121,950 |
| Other | 1,326 | - | 1,326 |
| Depreciation | 590 | - | 590 |
| Total Operating Expenses | 134,825 | - | 134,825 |
| Change in Net Assets | 11,144 | - | 11,144 |
| Net Assets - Beginning | 132,331 | 1,307,615 | 1,439,946 |
| Net Assets - Ending | 143,475 | 1,307,615 | 1,451,090 |

BLANDING CITY
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS

For The Year Ended June 30, 2006

| | Solid Waste Fund | EDA Arts Fund | Total Nonmajor Funds |
|---|---------------------|------------------|----------------------------|
| Cash Flows From Operating Activities: | | | |
| Receipts From Customers | 145,464 | - | 145,464 |
| Payments to Supplies | (129,403) | - | (129,403) |
| Payments to Employees | (4,832) | - | (4,832) |
| Net Cash Provided by Operating Activities | 11,229 | - | 11,229 |
| Increase (Decrease) Cash and Cash Equivalents | 11,229 | - | 11,229 |
| Cash and Cash Equivalents - Beginning | 96,587 | | 96,587 |
| Cash and Cash Equivalents - Ending | 107,816 | - | 107,816 |
| Reconciliation of Operating Income to Net Cash Provided By Operating Activities: | | | |
| Operating Income | 10,544 | - | 10,544 |
| Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities: | | | |
| Depreciation | 1,190 | - | 1,190 |
| Increase (Decrease) in Operating Assets: | | | |
| Accounts Receivable | (505) | - | (505) |
| Total Adjustments | 685 | - | 685 |
| Net Cash Provided (Used) by Operating Activities | 11,229 | - | 11,229 |

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is used to assist in formatting, for easier reading)

COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council
Blanding City
Blanding, Utah 84511

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Blanding City as and for the year ended June 30, 2006, which collectively comprise Blanding City's basic financial statements and have issued our report thereon dated August 16, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Blanding City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether Blanding City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Blanding City in a separate letter dated August 16, 2006.

Honorable Mayor and City Council
Blanding City
Page -2-

This report is intended solely for the information and use of management and City Council and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 16, 2006
Richfield, Utah

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and City Council
Blanding City
Blanding, Utah 84511

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Blanding City, for the fiscal year ended June 30, 2006, and have issued our report thereon dated August 16, 2006. As part of our audit, we have audited Blanding City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the fiscal year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)
Park Grant (State Parks and Recreation)

The City also received the following nonmajor grants, which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of Blanding City's financial statements.)

Sidewalk Safety (Department of Transportation)
Visitor Center (Department of Transportation)
Transportation Grant (Department of Transportation)
CIB Grant (Department of Community and Economic Development)
Airport Project (Department of Transportation)
Safety Grant (Department of Transportation)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax
Other Compliance Requirements

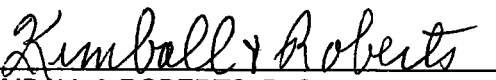
The management of Blanding City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

Honorable Mayor and City Council
Blanding City
Page -2-

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Blanding City, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2006.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 16, 2006
Richfield, Utah

BLANDING CITY
MANAGEMENT LETTER
JUNE 30, 2006

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

Honorable Mayor and City Council
Blanding City
Blanding, Utah 84511

During our audit of the funds of Blanding City for the fiscal year ended June 30, 2006, we noted certain areas needing corrective action in order for the City to be in compliance with state laws and regulations. We also noted a circumstance that, if improved, would strengthen the City's accounting system and control over its assets. These items are discussed below for your consideration.

COMPLIANCE:

Fund Balance

Utah Code 10-6-116(4) states that only the "fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes." The remaining 5% must be maintained as a minimum fund balance. The maximum in the general fund may not exceed 18% of the total estimated revenue of the general fund (10-6-116(2)).

Finding:

We noted during our audit that the unreserved fund balance in the general fund may be in excess of the 18% of estimated revenues of the general fund by \$357,009 as shown below:

| | |
|--|-------------------|
| Estimated revenues of the general fund | \$2,242,763 x 18% |
| Total allowed unreserved fund balance | \$ 403,697 |
| Present Unreserved fund balance | \$ 760,706 |
| Excess over allowed | \$ 357,009 |

Recommendation:

We recommend that the City maintain the unreserved fund balance within the limits allowed by State Law.

City Response:

The City has established, by ordinance, a capital projects fund. The excess fund balance will be budgeted for and transferred to the capital projects fund for planned capital projects.

Cash Management – Treasurer Bond

Every public treasurer is required to secure a fidelity bond based on the previous year's budgeted gross revenues that includes all funds collected or handled by the public treasurer.

Honorable Mayor and City Council
Blanding City
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Finding:

We noted in our tests for fidelity bond coverage for the treasurer that the present fidelity bond was less than the required amount by \$16,600. However, for the following year the fidelity bond is more than the amount required by \$44,200.

Recommendation:

We recommend that the City review the required coverage each year and maintain the required fidelity bond coverage.

City Response:

The City will review the required coverage annually to ensure compliance each year.

INTERNAL CONTROLS:

Utility Billings

Finding:

During our test of utility billings we noted that an incorrect rate was used for natural gas in one of the categories resulting in an over billing on approximately eight utility accounts. The over billings was not considered to be material to the financial statements.

Recommendation:

We recommend that as rates are changed for utilities tests of the new rates be conducted on each of the categories to ascertain that the appropriate rate is being used.

City Response:

The City will test each customer rate table after input to ensure accuracy each time a rate adjustment is made.

We would like to take this opportunity to thank Blanding City's personnel for the cooperation and assistance given to us during the course of our examination.

Respectfully submitted,


KIMBALL & ROBERTS
Certified Public Accountants

August 16, 2006
Richfield, Utah